

## Message Text

LIMITED OFFICIAL USE

PAGE 01    OECD P 27948 01 OF 02 231901Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 STR-04 SSO-00 NSCE-00 USIE-00 INRE-00

AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07 FRB-03

INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00

CIEP-01 LAB-04 SIL-01 OMB-01 EURE-00 FEA-01 ERDA-05

DODE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04 SAM-01

OES-06 SS-15 ACDA-07 PRS-01 PA-01 AGR-05 AGRE-00

OIC-02 GSA-01 ITC-01 /148 W  
----- 062921

O R 231750Z SEP 76

FM USMISSION OECD PARIS

TO SECSTATE WASHDC IMMEDIATE 3501

INFO ALL OECD CAPITALS 461

LIMITED OFFICIAL USE SECTION 1 OF 2 OECD PARIS 27948

EB FOR WENDT

E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: OECD HIGH LEVEL GROUP ON COMMODITIES (HLGC):  
MEETING SEPTEMBER 21-22

1. SUMMARY: IN ACTIVE AND USEFUL SESSION, HLGC DISCUSSED NEED FOR G-8 MEMBERS TO DEVELOP PROPOSALS FOR OCTOBER SESSION OF CIEC RAW MATERIALS COMMISSION AND HAD FURTHER EXCHANGES OF VIEWS ON US PROPOSAL FOR IRB AND ON KEY TECHNICAL ISSUES TO BE FACED IN CONSIDERING QUESTION OF COMMON FUND. GROUP ALSO AGREED TO HAVE EXPERTS MEETING CONSIDER A LIMITED PROJECT TO DEVELOP BETTER INFORMATION ON INVESTMENT SITUATION IN RAW MATERIALS. IN DISCUSSION OF UPCOMING UNCTAD MEETING ON  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02    OECD P 27948 01 OF 02 231901Z

COPPER, THERE WAS STRONG CONSENSUS IN FAVOR OF STICKING

AS CLOSELY AS POSSIBLE TO WORK PROGRAM AGREED AT MARCH CONSUMER/PRODUCER CONSULTATIONS AND TO WORK FOR EARLY ESTABLISHMENT OF PERMANENT CONSUMER/PRODUCER GROUP-- WITH POSSIBLY SOME LINKS TO UNCTAD. NEXT MEETING OF HLGC WILL TAKE PLACE IN NOVEMBER, WITH PRECISE DATE TO BE DETERMINED AFTER OCTOBER SESSION OF CIEC. END SUMMARY.

2. CIEC: FOCUS OF CIEC DISCUSSION WAS ON NEED TO PREPARE PROPOSALS FOR OCTOBER SESSION OF RAW MATERIALS COMMISSION. EC SAID IT WAS WORKING ON POSSIBLE COMMUNIQUE LANGUAGE FOR ALL ITEMS OF WORK PROGRAM, AND WOULD GIVE SPECIAL PRIORITY AND CONSIDERATION TO QUESTIONS OF PURCHASING POWER AND INVESTMENT. WITH RESPECT TO PURCHASING POWER, EC THINKING WAS NARROWLY FOCUSED TOWARD SUGGESTING GUIDELINES FOR REVISING PRICE PROVISIONS IN COMMODITY AGREEMENTS IN LIGHT OF VARIOUS INDICATORS. US DEL (WENDT) SUGGESTED THAT SUPPLY ACCESS BE ADDED TO LIST OF PRIORITY ISSUES AND SAID HE HAD INDICATIONS THAT G-19 WOULD MAKE SERIOUS PROPOSALS IN AREA OF COMPENSATORY FINANCING, TO WHICH DC'S WOULD HAVE TO BE ABLE TO RESPOND. HE NOTED US WOULD TRY TO ADDRESS MOST ITEMS ON WORK PROGRAM THOUGH NOT NECESSARILY BY CONCRETE PROPOSALS IN EVERY CASE, AND WOULD APPROACH PURCHASING POWER ISSUE TERMS OF RESORT TO BROAD ARRAY OF AVAILABLE TECHNIQUES, INCLUDING PRODUCTIVITY IMPROVEMENT AND RESEARCH AND DEVELOPMENT. SWEDISH DEL THOUGHT IT WOULD NOT BE POSSIBLE TO AVOID REFERENCE TO COMMON FUND IN CIEC CONCLUSIONS. GROUP AGREED THAT NO FURTHER SUBSTANTIVE PREPARATION WAS NEEDED IN HLGC AND THAT PRESENTATIONAL AND TACTICAL QUESTIONS WERE BEST HANDLED BY G-8, WHO SHOULD KEEP IN TOUCH VIA DIPLOMATIC CHANNELS BETWEEN NOW AND CAUCUS SCHEDULED FOR OCTOBER 19.

3. COMMON FUND: WIDE RANGING EXCHANGE OF VIEWS REVEALED THAT FEW DELS (EXCEPT US, WHO WILL NOT, AND NORWAY, WHO WILL) HAD DECIDED WHETHER OR NOT TO SUBMIT COMMENTS TO UNCTAD BY SEPT. 30 DEADLINE. EC INDICATED IT DID NOT CONSIDER SEPT. 30 TO BE A REAL DEADLINE AND DID HOPE TO SEND SOME KIND OF COMMENTS IN BEFORE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03      OECD P 27948 01 OF 02 231901Z

NOVEMBER PREPARATORY MEETING TOOK PLACE. JAPAN EXPRESSED CONCERN ABOUT ADVERSE G-77 REACTION IF NO COMMENTS WERE SUBMITTED, AND SAID IT MIGHT SEND IN BRIEF EXPRESSION OF GOOD WILL. WHILE RECOGNIZING NUMBER OF DELS DID NOT ACCEPT PRINCIPLE OF FUND, GROUP DISCUSSED TECHNICAL ISSUES WHICH FOCUSED ON QUESTION OF WHETHER FUND COULD BE A "SOURCE" OF FINANCE--INDEPENDENTLY PROVIDING FUNDING FOR BUFFER STOCKS--OR A

"POOL", I.E., BASED ON DEPOSITS BY EXISTING AGREEMENTS. ON THIS ISSUE THERE WAS CLEAR TENDENCY TO FAVOR LATTER CONCEPT, ALTHOUGH NETHERLANDS STATEMENT IMPLIED THEY FAVORED SOURCE IDEA SO THAT FUND COULD ACT AS CATALYST FOR COMMODITY AGREEMENTS. MOST DELS THOUGHT ANY FUND SHOULD BE CONFINED EXCLUSIVELY TO FINANCING BUFFER STOCKS. THEY ALSO VOICED STRONG PREFERENCE FOR HAVING ALL REAL DECISIONS TAKEN BY INDIVIDUAL COMMODITY ORGANIZATIONS RATHER THAN FUND. FRENCH DEL THOUGHT SOMETHING BETWEEN THE "SOURCE" AND "POOL" CONCEPTS COULD ALSO BE ENVISIONED. GERMAN DEL SAID ITS IDEA OF A POOL WAS BETTER EXPRESSED BY "CLEARING HOUSE" AND ELABORATED BY SAYING THAT, FOR EXAMPLE, INDIVIDUAL COMMODITY AGREEMENTS COULD PUT 40 PERCENT OF RESOURCES INTO A KIND OF BANK WHICH WOULD GIVE LENDER BUFFER STOCKS A LOW RATE OF RETURN AND CHARGE BORROWER STOCKS A LOW RATE OF INTEREST, WITH GENERAL RULES TO GOVERN LENDING AND BORROWING. SWEDEN SUGGESTED THAT SIMILAR KIND OF BANKING MECHANISM COULD BE ESTABLISHED AS A SHELL THAT COULD BE FILLED WITH RESOURCES ONLY WHEN COMMODITY AGREEMENTS HAD BEEN NEGOTIATED. US DEL REITERATED US OPPOSITION TO UNCTAD COMMON FUND. WHILE NOTING THAT US WAS PREPARED TO CONSIDER WHETHER THERE MIGHT BE ADVANTAGES IN LINKING THE FINANCIAL RESOURCES OF INDIVIDUAL BUFFER STOCKS, US DEL EXPLAINED HOW EVEN A POOLING ARRANGEMENT WOULD ENCOUNTER DIFFICULT PROBLEMS. EC COMMISSION CONFINED TECHNICAL REMARKS TO A LIST OF QUESTIONS.

4. IRB: US DEL PRESENTED NEW US PAPER (STATE 229956) AND QUESTIONS AND ANSWERS ON INTERNATIONAL RESOURCES BANK, SUMMARIZING THEM FOR GROUP AND EXPLAINING CLARIFICATIONS AND REFINEMENTS SINCE US TABLING OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04     OECD P 27948 01 OF 02 231901Z

DESCRIPTIVE PAPER IN CIEC IN JULY. EXPLANATIONS COVERED BONDS, THE TRILATERAL CONTRACT, GUARANTEEING OF EQUITY INVESTMENT, PERFORMANCE GUARANTEES, BUFFER STOCK FINANCING, CAPITALIZATION, AND PROJECT COVERAGE. HE INDICATED US INTENTION WAS TO TRY TO OBTAIN ENDORSEMENT OF BASIC CONCEPT IN CIEC AND SEEK FURTHER ELABORATION AND NEGOTIATION IN WORLD BANK COMPLEX. WENDT NOTED US DID NOT INTEND TO PRESENT PROPOSAL AS A KIND OF DEVELOPED COUNTRY BALANCING ITEM. IT WAS DESIGNED TO BENEFIT LDC'S AS WELL AS DC'S AND WAS NOT SOMETHING LATTER SHOULD BE EXPECTED TO "PAY" FOR IN CONTEXT OF CIEC BARGAINING. US DEL FIELDDED LARGE NUMBER OF QUESTIONS REGARDING RELATIONSHIP OF IRB TO INTEGRATED PROGRAM, EFFECT ON COMMODITY MARKETS AND PRICES, BENEFITS FOR LDC'S, ETC ON BASIS OF OVERALL US COMMODITY

POLICY, US DESCRIPTIVE PAPER AND Q'S AN A'S. ON  
QUESTION OF TIE-IN TO ENERGY COMMISSION, US NOTED  
PROPOSAL WAS RELEVANT TO BOTH ENERGY AND RAW MATERIALS  
COMMISSIONS AND WOULD BE PURSUED IN BOTH. NUMBER OF  
DELS EXPRESSED INTEREST IN FURTHER CLARIFICATION OF  
DISTINCTION BETWEEN COMMERCIAL AND NON-COMMERCIAL RISKS,

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 27948 02 OF 02 231845Z

46  
ACTION EUR-12

INFO OCT-01 ISO-00 STR-04 SSO-00 NSCE-00 INRE-00 USIE-00

AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07 FRB-03

INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00

CIEP-01 LAB-04 SIL-01 OMB-01 EURE-00 ERDA-05 DODE-00

FPC-01 H-02 INT-05 L-03 NSC-05 PM-04 SAM-01 OES-06

SS-15 ACDA-07 PRS-01 PA-01 FEA-01 AGR-05 AGRE-00

OIC-02 GSA-01 ITC-01 /148 W  
----- 062187

O R 231750Z SEP 76  
FM USMISSION OECD PARIS  
TO SECSTATE WASH DC IMMEDIATE 3502  
INFO ALL OECD CAPITALS 462

LIMITED OFFICIAL USE SECTION 2 OF 2 OECD PARIS 27948

NOTING THIS WAS KEY TO MEANINGFULNESS OF PERFORMANCE  
GUARANTEES THAT IRB WOULD OFFER. US DEL NOTED THAT  
PROPOSAL EVNISAGED GENERAL GUIDELINES TO BE ESTABLISHED  
WHEN IRB WAS CREATED, SAID US RECOGNIZED IMPORTANCE OF  
THIS QUESTION, AND THOUGH IBRD GROUP COULD HELP IN  
DEVELOPING SOULD SET OF GUIDELINES. IN FINAL DISCUSSION  
ON GENERAL ATTITUDE TOWARD US PROPOSAL, EC, WHILE  
POINTING OUT SOME AREAS WHERE LDC'S MIGHT CONSIDER IRB  
INSUFFICIENT, VOICED SUPPORT FOR CONSIDERING PROPOSAL

FURTHER, AS DID JAPAN. SWEDEN, ON OTHER HAND, EXPRESSED SOME DOUBT AS TO WHETHER IRB WOULD BE BEST WAY TO SPEND \$1 BILLION IN COMMODITY AREA.

6. INVESTMENT DATA: HLGC'S INITIAL DISCUSSION OF HOW TO GET BETTER PICTURE OF ACTUAL SITUATION WITH RESPECT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02    OECD P 27948 02 OF 02 231845Z

TO RAW MATERIALS INVESTMENT WAS INCONCLUSIVE. EC COMMISSION REP WAS IN FAVOR OF ESTABLISHING A COMPREHENSIVE REPORTING SYSTEM IN OECD FRAMEWORK, WHILE CANADA AND AUSTRALIA THOUGHT EFFORTS IN THIS FIELD SHOULD BE UNDERTAKEN PRIMARILY BY INDIVIDUAL COMMODITY GROUPS. UK SUGGESTED ONE-TIME PILOT STUDY FOR COPPER, IRON ORE, ALUMINUM, AND NICKEL. FRANCE EXPRESSED DOUBT ABOUT AVAILABILITY OF DATA IN SUFFICIENT DETAIL. US AGREED WITH AUSTRALIA AND CANADA TO THE EXTENT COMMODITIES ARE COVERED BY STUDY GROUPS BUT, WITH SWEDISH SUPPORT, FAVORED A MODEST PROJECT OF QUALITATIVE ANALYSIS BASED ON SAMPLING. GROUP AGREED IN END TO HAVE SECRETARIAT HOLD MEETING OF EXPERTS TO HELP IT DETERMINE WHAT KIND OF QUESTIONS SHOULD BE INCLUDED IN A QUESTIONNAIRE THAT COULD FORM THE BASIS FOR A REASONABLY SHORT TERM AND LIMITED PROJECT.

6. COPPER: HLGC DISCUSSION REVEALED VIRTUALLY UNANIMOUS AGREEMENT THAT IT WOULD BE DESIRABLE FOR UNCTAD COPPER MEETING BEGINNING SEPTMEBER 27 TO FOLLOW CLOSELY LINES OF CONSENSUS REACHED AT MARCH PRODUCER/CONSUMER CONSULTATIONS. AUSTRALIA, CANADA, JAPAN, US AND US-- WITH VARYING DEGREES OF SUPPORT FROM OTHER DELS--THOUGHT IDEAL OUTCOME WOULD BE AGREEMENT TO ESTABLISH AUTONOMOUS PRODUCER/CONSUMER GROUP, WITH POSSIBLY SOME LINK TO UNCTAD. TERMS OF REFERENCE SHOULD PROVIDE BOTH FOR DATA GATHERING AND ANALYSIS AND ALSO SERIOUS CONSIDERATION OF SOLUTIONS TO PROBLEMS OF COPPER. DELS ALSO AGREED THAT CAREFUL PRESENTATION OF THIS VIEW WOULD BE NECESSARY TO MAKE IT CLEAR THAT THIS APPROACH WAS NOT INTENDED TO STALL BUT WAS IN FACT QUICKEST WAY TO MAKE PROGRESS IN DEALING WITH COPPER PROBLEMS. EC SAID IT WAS NOT PREPARED TO GET INTO SUBSTANTIVE MATTERS, AND MANY OTHER DELS CONSIDERED SUCH DISCUSSIONS PREMATURE. NORWAY WAS LONE DISSENTING VOICE, INDICATING IMPLICITLY A WILLINGNESS TO FOLLOW UNCTAD SECRETARIAT AND CENTER DISCUSSIONS ON ESTABLISHING A BUFFER STOCK. AUSTRALIAN DEL, WHOSE OPENING STATEMENT TURNED OUT TO BE CONSENSUS OF GROUP, SIAD HE HAD PRESENTED HIS VIEWS TO CIPEC REPS AT MEETING LAST WEEK AND HAD FOUND NO OPPOSITION FROM THEM EXCEPT FOR ONE DEL (PRESUMABLY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03     OECD P 27948 02 OF 02 231845Z

PERU), HO HAD VOICED UNSOPHISTICATED BUFFER STOCK/COMMON FUND LINE. AUSTRALIA PROPOSED THAT UNCTAD MEETING SHOULD ADOPT SAME CHAIRMAN (GEGOUX) AND VICE CHAIRMAN AS MARCH CONSULTATION. LEGOUX, WHO WAS IN FRENCH CHAIR, STRESSED IMPORTANCE OF HAVING PRODUCER SUPPORT FOR WHOEVER WAS CHAIRMAN. BELGIUM SAID IT WOULD BE USEFUL TO HAVE SEPARATE PRODUCER AND CONSUMER MEETINGS EARLY IN UNCTAD SESSION. ON THIS POINT LEGOUX TOOK CAUTIOUS ATTITUDE, SAYING THAT CLASSIFYING COUNTRIES WAS COMPLEX IN CASE OF COPPER.

7. JUTE: HLGC GENERALLY AGREED WITH CHAIRMAN PRESTON WHO OBSERVED THAT JUTE OFFERED OPPORTUNITY TO DEPART FROM CONSIDERATION OF TRADITIONAL TYPES OF COMMODITY AGREEMENTS AND JOIN IN SEEKING AN ARRANGEMENT CONSISTING OF A WIDE RANGE OF MEASURES SUCH AS R&D, MARKET PROMOTION AND DIVERSIFICATION. US DEL SUPPORTED THIS APPROACH AND NOTED US WAS ALSO OPEN-MINDED REGARDING EXAMINATION OF COSTS AND BENEFITS OF NATIONAL STOCKS IN PRODUCING COUNTRIES IF THESE WERE AIMED AT ENHANCING STABILITY WITHOUT INTERFERING WITH A PRICE TREND CONSISTENT WITH MAINTAINING JUTE'S COMPETITIVENESS IN MARKET. EC COMMISSION REP THOUGHT FUTURE OF JUTE AND SUCCESS OR UTILITY OF ANY STABILIZATION EFFORT DEPENDED LARGELY ON ATTITUDES OF LARGE SYNTHETIC FIBER MANUFACTURERS WHO, IN HIS VIEW, WERE IN POSITION TO CONTINUE INCREASING THEIR SHARE OF MARKET AT WILL.

8. RUBBER AND HARD FIBERS: CONSIDERATION OF THESE COMMODITIES WAS POSTPONED TO NEXT MEETING.

9. OTHER UNCTAD MATTERS: GROUP AGREED GROUP B COORDINATION FOR TRADE AND DEVELOPEMTN BOARD COMMODITY MATTERS, PARTICULARLY QUESTIONS OF TERMS OF REFERENCE AND TIMING OF INTERGOVERNMENTAL COORDINATION COMMITTEE, COULD BEST TAKE PLACE ON THE SPOT IN GENEVA, AS COULD ANY COORDINATION FOR COMMON FUND PREPARATORY MEETING.

10. DATE OF NEXT MEETING: PRECISE DATE WILL BE DECIDED AFTER OCTOBER MEETING OF CIEC RAW MATERIALS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04     OECD P 27948 02 OF 02 231845Z

COMMISSION, WITH DATES OF NOVEMBER 24-25 UNDER TENTATIVE CONSIDERATION.

TURNER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** RAW MATERIALS, FOREIGN INVESTMENTS, COMMITTEE MEETINGS, COMMODITY AGREEMENTS, FINANCIAL MARKETS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976OECDP27948  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760359-1186  
**From:** OECD PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760928/aaaaaxqn.tel  
**Line Count:** 332  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** BoyleJA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 APR 2004 by CollinP0>; APPROVED <11 AUG 2004 by BoyleJA>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OECD HIGH LEVEL GROUP ON COMMODITIES (HLGC): MEETING SEPTEMBER 21-22  
**TAGS:** ETRD, EINV, OECD, UNCTAD, CIEC, IRB  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006